

Chris Wallace Hosts "Fox News Sunday"

[LIST OF SPEAKERS](#)

WALLACE:

I'm Chris Wallace.

Gearing up for the battle of the budget with new talk of a grand bargain.

(BEGIN VIDEOTAPE)

WALLACE:

As President Obama switches from the blame game to breaking bread with the Republicans, both sides prepare plans for the nation's economic future.

House Budget Committee chair Paul Ryan will give us an exclusive preview of his new budget. Plus, tell us what he discussed with the president, over lunch this week.

Congressman Paul Ryan, only on FOX NEWS SUNDAY.

Then, Jeb Bush returns to the spotlight, to talk about immigration reform, and his political future.

Will his new plan help or hurt prospects for a deal on immigration? And how serious is he about 2016?

We'll sit down with Jeb Bush.

Plus, Congress takes on the White House over national security.

We'll ask our Sunday panel about the controversy over drones and the New York trial of an accused al Qaeda terrorist.

All, right now, on FOX NEWS SUNDAY.

(END VIDEOTAPE)

WALLACE:

And hello again from FOX News in Washington.

President Obama calls him a thought leader of the Republican Party. And this week, House Budget Committee Chair Paul Ryan will put out a plan to balance the federal budget in 10 years.

On the heels of a private lunch with the president on Thursday, Congressman Ryan joins us to discuss all of it.

And, Congressman, welcome back.

RYAN:

Thanks for having me. Good morning, Chris.

WALLACE:

The plan that you are going to release Tuesday would balance the budget in 10 years, not 25 years, like your last one.

How do you do that? Do you have to make even tougher, deeper spending cuts?

RYAN:

Actually, not really. We always got close to balancing the budget, but, not quite there. We don't have to do much simply because the new CBO baseline makes it easier, because the new baseline reflects the fiscal cliff, which is higher revenues and lower spending, making it easier to balance. We extend the BCA, the Budget Control Act, caps out another two years. We ask all federal employees to actually have their pension contributions like those in the private sector, at the end of the budget window.

So, we don't have to do huge things to get the balance because of the new baseline.

The point is, we think we owe the American people a balanced budget. We want to respect hard working taxpayers.

And we think we have a responsible plan to balance the budget, which the reason we do a balanced budget is not to make the numbers simply add up, it leads to a healthy, growing economy that creates jobs. It's a means to an end. And the means is to get to a good, growing economy to create jobs and opportunity.

I'm glad the Senate is doing a budget. It's the first time in four years. Our concern is that they may never propose to balance the budget and we think that's irresponsible.

WALLACE:

Let's look, Congressman, at a couple of the reasons you don't have to make big changes in the new budget, to balance it in 10 years.

You include the \$600 billion, as you mentioned, in tax increases, that came from raising rates in the fiscal cliff debate. You also include \$716 billion in Medicare cuts through Obamacare that you opposed in the last campaign.

Question, is it fair to say at least those parts of the president's policies make it easier to balance the budget?

RYAN:

It is fair to say that. What we also say is, end the raid of Medicare from Obamacare.

You have to remember, all of that money that was taken from Medicare was to pay for Obamacare. We say we get rid of Obamacare, we end the raid and we apply those savings to Medicare to make Medicare more solvent and extend the solvency of the Medicare trust fund.

And we don't want to refight the fiscal cliff. That's current law. That's not going to change.

And we also propose pro-growth tax reform which we think with this current revenue line, we can have a very pro-growth tax reform system to bring all rates down. That's good for economic growth. That's good for job creation and hard working taxpayers, by having less loopholes in the tax code.

No more crony politics and stop picking winners and losers and pro-growth tax reforms, those things are still achievable and we achieve it in the budget and reflect those realities that you just mentioned.

WALLACE:

In your last budget, you cut spending about \$5 trillion over 10 years. How much do you cut spending in this new budget?

RYAN:

Basically the same, about \$5 trillion. Instead of growing spending at 4.9 percent a year, which is the average

under the current path we're on, we grow spending at 3.4 percent, each year, over the next decade. That gets us on a path to balance, and results in about a \$5 trillion spending cut.

WALLACE:

So, when you talk about cuts, you're talking about cuts in the rate of growth, not actual, absolute cuts?

RYAN:

Exactly. Instead of spending \$46 trillion over the next 10 years, we'll spend \$41 trillion. That's means we'll grow spending on average 3.4 percent a year instead of growing it an average 4.9 percent a year, which is the path we're on, which takes us from ever balancing the budget which produces a debt crisis.

That's the problem. The president has us on a path toward a debt crisis that hurts everybody, that brings us to a recession, that gives us a European kind of experience which we want to avoid.

We want people going back to work. We want higher wages, more jobs, a growing economy. We get that by balancing the budget.

WALLACE:

Well, you know, there are two sides to this argument. Of course, the president would say that all of these spending cuts, the sequester and the cuts that you are going to propose in the short- term could actually hurt this kind of slightly improving recovery and throw us back into a recession.

Let me ask you about a couple of the specific cuts that you made last year, and tell me if they're not in the new budget -- I assume that they are. You cut Medicaid by \$770 billion, over the next 10 years. You cut \$134 billion from food stamps. You cut \$166 billion from education, training and social services.

Democrats say that that makes you the party of austerity. That, one, this is going to hurt people who depend on these programs. And, two, they say that rather than spur growth, it's going to hurt growth.

RYAN:

Well, we have 49 different job training programs spread across nine different government agencies, lots of bureaucracies. They don't work.

What we propose is to consolidate these programs into flexible grants that go back to the states, to actually get people into jobs and into training so that they can get back to work. So, we get rid of the bureaucracy in

Washington. We send the money back to the states, so that people can actually get the skills they need to get the jobs they want.

On food stamps, we basically say, you actually have to qualify for the food stamp programs to get the food stamp benefits. With our reforms, food stamps would have grown by 260 percent over the last 10 years, and 270 percent, like they did grow.

And, with respect to Medicaid, we think the Obamacare expansion of Medicare is reckless. We are pushing people, 20 million people, into a program that's failing. More and more doctors and hospitals don't even take the program. And we want to reform Medicaid by giving states the ability to customize the Medicaid program, to meet the unique needs of their Medicaid population.

(CROSSTALK)

WALLACE:

But, Congressman, do you really say --

RYAN:

These are good reforms that we think will make the programs better.

WALLACE:

Can you honestly say by turning Medicaid into a block grant and giving it to the states that you can cut \$770 billion --

RYAN:

Yes.

WALLACE:

-- out of that program, over the next 10 years, and that's going to have no impact on legitimate recipients?

RYAN:

These are increases that have not come yet. So, by repealing Obamacare, and the Medicaid expansions

which haven't occurred yet, we are basically preventing an explosion of a program that is already failing.

So, we're saying don't grow this program through Obamacare because it doesn't work. Prevent that growth from going because it's not going to work, it's going to hurt people who are trying to help, it's going to hurt hospitals and states and, give the states the tools that they are asking for.

Indiana is a perfect example. They have a fantastic Medicaid program that Mitch Daniels created in Indiana that is popular, that's successful, that's working well, but Obamacare prevents it from going forward. We want to give states like Indiana, states like Wisconsin, the tools they need to make these benefits work for their populations and we don't want to push more people into a failing program. And by not pushing people into this failing program, we do save these kinds of dollars.

WALLACE:

I'm going to pick up on this because I must say I didn't understand it. Are you saying that as part of your budget, you would repeal, you assume the repeal of Obamacare?

RYAN:

Yes.

WALLACE:

Well, that's not going to happen.

RYAN:

Well, we believe it should. That's the point. That's what's -- but this is what budgeting is all about, Chris. It's about making tough choices to fix our country's problems.

We believe that Obamacare is a program that will not work. We believe Obamacare will actually lead to hospitals and doctors and health care providers turning people away.

It's a program that basically puts Medicare under the control of 15 people on a board that will determine what kind of benefits people get. That's a rationing board. However you slice it.

We don't think health care is going to be improved in this country. We think it's going to look ugly over the next couple of years and that's why we're going to propose replacing Obamacare with patient-centered health care, with a better system for everybody, for the poor, for people in the states, for Medicare, so that

we can actually have affordable health insurance for everybody, including people with preexisting conditions, without costly government takeovers which is what Obamacare represents.

And yes, our budget does promote repealing Obamacare and replacing it with a better system.

WALLACE:

All right. I want to pick up on this Medicare because what you would say is starting with people who are now 54, and you reportedly wanted to raise it to 56, but then there was some political push back, starting with people who are now 54, that you would start to give them, when they become of age, a government subsidy, a voucher -- whatever you want to call it -- premium support, to help them pay for their health care costs.

Now, you know, I don't have to tell you, this was a big issue in the campaign, between Romney-Ryan versus Obama-Biden. They think they won and they think that's one of the reasons they won. And there are, Congressman, a lot of independent strategists that say if you put this into effect, the net effect economists will be that seniors will end up having to pay more a share of their health care costs.

RYAN:

Well, first of all, it's not a voucher. It's premium support. Those are very different.

A voucher is you go to your mailbox, you get a check and you go buy something. That's not what we are saying.

RYAN:

We are saying, let's convert Medicare into a system that works like the one I have as a congressman, as federal employees. You have a list of guaranteed coverage options, including traditional Medicare for your future needs. Medicare subsidizes your plan based on who you are, total subsidy for the poor and the sick, less of a subsidy for wealthy seniors.

Doing it this way, harnessing the power of choice and competition, where the senior gets to choose her benefits that's comprehensive is the best way to save Medicare for future generations. This guarantees that Medicare does not change for people in or near retirement and it also guarantees for those who of us who are under the age of 55 that we actually have a Medicare program when we retire.

The problem is, Medicare is going broke. The other problem is, Obamacare does such damage to Medicare that it's going to damage the program for current seniors. We don't want that to happen. That's why we are proposing these reforms, which save and strengthen the Medicare program, not just for my mom but for my generation as well.

And I would argue against your premise that we lost this issue in the campaign. We won the senior vote. I did dozens of Medicare town hall meetings in states like Florida, explaining how these are the best reforms to save the shrinking Medicare program and we are confident this is the way to go. It has bipartisan support. It's an idea that came from Democrats in the first place.

And we think it's really the best way to go, because, the alternative here, of having a choice system where you choose the plan that meets your need, is 15 bureaucrats making these decisions in Washington which are the new Obamacare board which we repeal in this budget.

WALLACE:

Well, this brings us to the lunch that you had on Thursday with President Obama, at the White House. And I want to explore the question as to whether there's a basis for a compromise here, because I've got to say, I don't hear it so far.

Let me start this way: from your view, after having lunch with the president, do you think that his so-called "charm offensive" is sincere? That he is really looking for compromises on issues that still seem like there is a big divide? Or do you think it's more political theater to at least appear to be reaching out?

RYAN:

I think the answer to that question will be determined based on how he conducts himself in the coming weeks and months. This is the first time I've ever had a conversation with the president lasting more than, say, two minutes or televised exchanges. So, I've never really had a conversation with him, on these issues before.

I am excited that we had the conversation. We had a very frank exchange. We come from different perspectives. I ran against him in the last election.

So, we exchanged very different, frank, candid views with one another that were very different, but at least we had the conversation. And I think the answer to your question will be determined by how he conducts himself in the coming weeks and months.

Will he resume the campaign mode? Will he resume attacking Republicans and impugning our motives? Will he resume what is long believed to be a plan to win the 2014 elections?

Or will he sincerely change and try and find common ground, try and work with Republicans to get something done? That's what we hope happens.

WALLACE:

Well, let me --

RYAN:

We want to get a down payment on the debt crisis.

WALLACE:

Let me pick up on that. You talk about coming from different perspectives. One of the last times you and the president were together was two years ago, almost exactly two years ago, when your last -- your budget that year had come out and with you in the audience, the president took apart the proposed spending cuts you wanted to make.

Take a look.

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES:

These are the kinds of cuts that tell us we can't afford the America that I believe in, and I think you believe in. I believe it paints a vision of our future that is deeply pessimistic.

(END VIDEO CLIP)

WALLACE:

The vision he's talking about, of course, is the Ryan budget.

Did that come up at the lunch, Congressman?

RYAN:

It didn't, but that's basically what I was saying. If you impugn people's motives, if you say these draconian cuts, which by the way we are increasing spending an average of 3.4 percent a year, that does no good to get to common ground, that makes it impossible for parties to come together and bridge the gaps.

And so, if that kind of rhetoric resumes, then we will know that this was for show and it wasn't sincere. I hope that this is sincere. We had a good, frank exchange. But the truth will be in the come weeks as to whether or not it's a real sincere outreach to find common ground.

Look, Chris, I think there are things that we can do that don't offend either party's philosophy, that doesn't require someone to surrender their principles to make a good down payment on getting this debt and deficit under control.

WALLACE:

But let me --

RYAN:

That's what I'd like to achieve for the sake --

WALLACE:

Let me pick up on that with you, Congressman, because -- I mean, there are basic disagreements that remain. The president would like to raise \$600 billion at least in added revenue by clearing out so many of the deductions and loopholes for upper income people, and you want not nips and cuts but structural reform to entitlements.

Did you get a sense -- first of all, are you willing to give up one to get the other? And did you get the sense he was?

RYAN:

Well, look, we already had a tax increase. We think it's unfair to ask hardworking taxpayers to pay more so Washington can spend more. We think we should balance the budget. We have a spending problem, not a taxing problem. So --

WALLACE:

But you know that's what he wants.

RYAN:

We do have a different -- so we do have a difference of opinion on that.

The other problem is this: by continuing to raise taxes to fuel more spending, you'll never get tax reform, which is critical for economic growth and job creation. And, so, yes, we have an impasse right now, which is the president wants to continue raising taxes, not for deficit reduction but to fuel more spending, and, we see tax reform as incredibly important goal, and policy, to getting pro-growth economics, to getting businesses growing again and hiring people.

Tax reform to us is an economic growth-generating exercise.

Tax reform to the president, so far, seems to be a spending growth exercise, to spend money, revenue-generating exercise.

WALLACE:

So, bottom line --

RYAN:

So, there is an impasse there. But so, bottom line is don't want --

(CROSSTALK)

WALLACE:

Let me ask you --

RYAN:

-- because we did raise taxes.

WALLACE:

But let me ask you this: bottom line, what do you think of the chances of a big deal this year to try to get the deficit under control?

RYAN:

I think it is going to determine -- be determined by the temperament and the posture that the president and all of us take over the next few weeks. We have spending problems and I like to think we can find common ground on where and how to cut spending and get some entitlement reforms.

Will the president take our premium support program and block- granting Medicaid? My guess is he won't. We think that's the best way to make these programs work better, but are there things you can do short of that, that gets you closer to balancing the budget, that delays the debt crisis from hitting this country? Yes, I think there are.

And I do believe that there's a consensus for tax reform. There are a lot of moderate Democrats, especially in the Senate, that are in favor of lowering tax rates by closing loopholes. That's what we're proposing.

Stop picking winners and losers in Washington, let people keep more of their hard-earned money, you don't lose revenue for the federal government, and you make it easier for small businesses to create jobs and hire more workers.

WALLACE:

Congressman --

RYAN:

We think there's a bipartisan consensus for that and I'm hoping the president comes to join that consensus.

WALLACE:

Congressman, I don't mean to interrupt but I've got a couple of more questions, political questions to ask in very little time.

Did you come away from your experiences, as the vice presidential candidate, in 2012, thinking that the prospect of running for president for two years would be appalling or exciting?

(LAUGHTER)

RYAN:

That's a good question. Actually, I enjoyed the experience. It made it more realistic in my mind, that something that I much better understand.

And Jen and I were talking about this just the other day. We look back at it as a very positive experience. We actually enjoyed it. We got to meet hundreds of thousands of people who care so much about their country and we learned a lot. Just about the great, greatness of this country, how hardworking people want to get ahead and make a difference.

So actually I found it a pleasant exercise to be candid with you.

WALLACE:

And, finally, what's more attractive as you sit here today, running for president or staying in the House, doing the important work you do there, and maybe someday becoming speaker?

RYAN:

Yes. So, I have no plans to be in House elected leadership. If I wanted to be in elected leadership like speaker, I would have run for these jobs years ago. I've always believed the better place for me is in policy leadership, like being a chairman.

With respect to running for president, I honestly think that we have a problem right now. That's a budget mess. That's a debt crisis coming.

I'm the chairman of the Budget Committee, and I represent the first district of Wisconsin. I should focus on that. That's to me is the most important thing and I shouldn't be clouding my judgment today by thinking about some political thing four years from now. I should not be clouding my judgment by thinking, how did this position mean (ph) to run for president. I got to think, do what you think is right, how can I help Wisconsin, how I can close this budget gap?

And then we're through that moment, I'm going to give serious thought to these other things, but not until then.

WALLACE:

Congressman Ryan, we want to thank you so much for joining us today and we will, of course, be track whether this time, there really is a grand bargain.

Thanks, sir.

RYAN:

Thanks, Chris.

WALLACE:

Up next, former Florida Governor Jeb Bush talks about immigration reform and his political future.

(COMMERCIAL BREAK)

WALLACE:

Jeb Bush hasn't decided yet, but for the first time, he is keeping the door open to a possible run for president in 2016.

This week, the former Florida governor returned to the spotlight with a new book, "Immigration Wars", in which he lays out his plan for comprehensive reform. Bush's comments have stirred considerable controversy, and when we talked with him Friday, we asked about that.

(BEGIN VIDEOTAPE)

WALLACE:

Governor, in your new book, you lay out a couple of paths to the 11 million illegal immigrants who are now in this country. You say, if they want permanent legal resident status, they should pay a fine for breaking the law, pay taxes, learn English, and commit no crimes. But, to become a citizen, you write, they must return home, and apply through the normal immigration process.

Question, Governor, what's the difference between that and what Mitt Romney was proposing last year, self-deportation, which you say in your book, made it almost impossible for him to get any Hispanic votes?

BUSH:

Well, the difference is that we are suggesting that there be a path to legalization, that people that are here come out from the shadows. That is a far cry from telling people they have to go back to their home country.

And the other thing I would say is that our proposal also says for children of illegal immigrants, those who can't come here illegally that were children, that they should have a path to citizenship on a far faster basis. The so-called "DREAM Act kids.

WALLACE:

But in terms of the path to citizenship, that is self- deportation, correct?

BUSH:

No, it is not self-deportation, people can stay here. Sixty percent of the people that were granted a process of legalization and citizenship in 1987 did not apply for citizenship. They stayed as legal residents of the country.

And so, it's much different than to say, you know, you have no ability to be able to have a chance to come out from the shadows.

Now, I also think that a path to citizenship, so long as the ability of someone to come legally is easier, and less costly than coming illegally, that the path to citizenship is appropriate.

And I applaud the work of the senators and others in the Congress that are working to try to craft a consensus and a compromise on the issue.

WALLACE:

Well, I want to pick up on that, but you have taken heat from those senators, who say that your plan is more restrictive than what the so-called bipartisan group of eight, "gang of eight", has come up with, when it comes to the path to citizenship. They say that they would allow it as soon as the border becomes secure.

And Lindsey Graham, who was one of the members of the "gang of eight", said this --

BUSH:

Yes.

WALLACE:

-- "This proposal, your plan, caught me off guard, and it undercuts what we are trying to do."

Have you made it easier for conservatives to oppose immigration reform?

BUSH:

No, not at all. In fact, I think -- I have talked to Senator Graham, and, he said that we're in sync on this. That, based on the comprehensive nature of our proposal in the book that Clint Bolick and I wrote, that the objectives are the same.

And I admire his work and I think that if -- with some continued efforts on this, and with the House also having a version of immigration reform, it could be, Chris, that there is a chance that something old-fashioned happens, which is, that there's a conference committee and that there's a forged consensus on immigration reform which would be spectacular for our country.

And I don't think our book undermines that at all.

WALLACE:

Well, let me just pick up on that one more time, though, because what you are saying is, to get -- to be a citizen, you have to go back to your home country and apply through the normal processes. And what the senators are saying, is, no, you can stay in this country and once the borders are deemed to be secure, that then you can become a citizen without self-deportation.

Isn't that a difference?

BUSH:

And the senators are also saying that the path to -- for someone outside of the country, that has patiently been waiting, that they should have a chance to come legally, before anybody becomes a citizen that has come here illegally. And that is the foundation of our idea and that's where there is a consensus.

There is -- there is not much light between what we are suggesting in the book and what is being worked on right now, which is very encouraging.

WALLACE:

You have also taken some heat during this past week for your suggestion that you might be willing to accept more revenue, higher taxes, as part of a grand bargain, if you also got serious spending cuts, and you also gotten some entitlement reform.

And anti-tax advocate Grover Norquist said this: "People are looking for someone who's tough and you are saying, 'I'll fold.'"

(LAUGHTER)

BUSH:

What I -- what I think we ought to be focused on in Washington is to build consensus on the things where there's an agreement. Maybe that would be on creating high growth, for example, sustained economic growth and, creates more revenue than any tax increase.

But I'm not -- I don't think that you should -- when you are asked a question about whether or not, you know, you are for or against something, you automatically say, "No. Heck, no."

We have to find in a divided country ways to forge compromise. I'm sitting here at the Reagan Library, where a great conservative, a man who is beloved not by just conservatives but all Americans, did exactly that, he forged consensus, he compromised, he didn't violate his principles.

So, the idea that you have to have this doctrinaire view, you can win a debating point, but you're not necessarily going to be able to solve these pressing problems that we have. And I'm encouraged that a lot of people in Washington, understand that, and are willing to try to find common ground. Immigration is a great example of that.

WALLACE:

But let's talk about the situation in Washington, because you've been pretty tough on President Obama. In your book, you repeatedly criticized him for the fact that, as you say, he broke his campaign promise to enact comprehensive reform in the first year. And, in an interview this week, you said, leaders lead, they don't create a poisonous atmosphere.

So, simple question: what do you think of Barack Obama as president?

BUSH:

Well, I think he's been -- he's a very effective campaigner and he is continuing to campaign.

I'll tell you one thing, though -- I've been encouraged that a couple of days ago, three or four days ago, he had dinner with 12 Republican senators, I believe and he'd lunch with Paul Ryan. Now, whether that's a gimmick or whether that's sincere, I hope it's sincere, because if he does pivot towards trying to reconcile and find common ground and share in the credit and not have everything be about political victories, it's possible that we could begin to solve some of these problems.

So, my hope and prayer is that -- that I've been wrong, and that he is changing direction. I hope that's the case.

WALLACE:

Early on in the 2008 and 2012 cycle, you took yourself out of the possibility of running for president. But, this time, your answer is: I'm not saying yes, it's just that I'm not saying no.

So, my question is, are you leaving the door open because it will get you more attention for your views? Which I've got to say is working wonderfully well. Or is it that --

(LAUGHTER)

WALLACE:

Or is it that you are really in a different place about running for president, sir?

BUSH:

You know, it's -- we just had an election. The election occurred three months ago and it seems like you would make decisions like that closer to the election, than three months after the last one.

And so, it's a sincere thought that maybe it is better to make decisions in the proper context, at the proper time.

I love the fact that in Washington world, all logic is just based on illogical things -- that I would create all of this controversy so that people would buy the book. That's just fantastic. You're not the first person that has hinted at that.

WALLACE:

Well, it has worked.

Let me ask you a couple of more questions, about the illogic of whether you would run in 2016. Some people say that, obviously, you are proud of your family and proud of their accomplishments. But the question is, would it be a political burden? I think it's fair to say that when your brother left the presidency, he was somewhat unpopular. We looked around, the most recent poll shows that 46 percent view him favorably, 49 percent view him unfavorably.

Do you think that there is any Bush baggage? Do you think that would be a problem?

BUSH:

No, I don't think there's any Bush baggage at all. I love my brother. I'm proud of his accomplishments. I love my dad, I'm proud to be a Bush and if I run for president it is not because of something in my DNA that compels me to do it. It would be that it's the right thing to do for my family, that the conditions are right and that I have something to offer. If I don't run I have a blessed life. I can continue to do what I am doing now, work on education reform, and advocate the policies that I believe in and also, a little private life and that decision will happen as I said later on.

WALLACE:

And, one last question, in this regard: Terry Jeffrey, who was a conservative columnist, said if you were to run, that you would not be the conservative candidate, you would be the establishment candidate. Do you plead that you would be the establishment candidate?

BUSH:

You know what? I don't -- I don't even think about it. I'm here at the Reagan Library and I'm proud to be here. And I just -- the idea that you have to put everybody in these categories and is -- that is Washington word. Out here there are people really concerned about the future of our country, and the structural problems we have, and they are looking for solutions. And, I'm going to be part of offering those solutions, whether I'm a candidate or not.

WALLACE:

Well, let me say, sir, that whether you come as a candidate or whether as one of the most thoughtful and provocative voices in the Republican Party, you are always welcome here, we thank you for talking with us and good luck to you and good luck with the book.

BUSH:

Thanks, Chris.

WALLACE:

Up next, lunch, dinner and plenty of face time with Republicans. We'll ask our Sunday group what is behind the president's new charm offensive.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES OF AMERICA:

You deserve better than the same political gridlock and refusal to compromise that is too often passed for serious debate over the last few years. And that is why I have been reaching out, to Republicans and Democrats, to see if we can untangle some of the gridlock.

(END VIDEO CLIP)

WALLACE:

President Obama explaining his recent outreach to congressional Republicans on the budget and it is time now for our Sunday group. Kimberley Strassel of "The Wall Street Journal." Julie Pace, who covers the White House, for the Associated Press. Radio talk show host, Laura Ingraham and Fox News political

analyst Juan Williams. Kim, what do you make of the president's so-called charm offensive, the sudden interest in spending quality time with Republicans, sincere or political theater?

KIMBERLEY STRASSEL, THE WALL STREET JOURNAL:

Well, that was what was interesting about what Paul Ryan said. Is it sincere? And I think one of the more interesting things that we learned about this week was the "Washington Post" story that said, in fact, the president's ambition over the next ten years is not to pass anything, it's not to govern, it is, in fact, to highlight Republicans as a problem, and, paint them as the issue, beat them in the 2014 election so that then he has the House and the Senate and the White House as he did in his first term and can pass whatever he wants again. So, I think the charm offensive, one of the problems is, they got caught, right? In the sequester, they went out and he looked so obviously, to be campaigning and got asked a lot of question about why he was on the road rather than trying to solve the problem. He can't be obvious about this strategy, if it is indeed the strategy they are pursuing.

WALLACE:

You know, Julie, the White House says that the president came to the conclusion that he couldn't deal with Republican leaders and if -- first of all he couldn't make a deal with them, and secondly, if he did, they couldn't then sell it to their members and so he's decided to go directly to the rank-and-file. Is that what is behind this? Because it really is, even in the course of a week, if you look at his media address, weekend address, last Saturday, he was blasting Republicans, and this one about outreach, it's a really dramatic shift.

JULIE PACE, THE ASSOCIATED PRESS:

It's definitely a shift. I think there is some truth to the fact that the White House decided that talking just to Boehner and talking just to McConnell, obviously, wasn't getting anybody any closer to a deal and they have been very strategic in choosing the Republicans, particularly on the Senate side that Obama is going to be talking to. They looked for people who showed some indication that they may be willing to discuss revenue increases, as part of a bigger deal, Kelly Ayotte had said that, Lindsey Graham had said that. So, what the White House is hoping to do is try to generate some momentum, or at least a conversation among some of the rank-and-file Republicans. But, the reality is, at a certain point, he's going to need the Republican leadership. He can't completely avoid having conversations with them.

WALLACE:

You know, whatever the president's motivation, Laura, the real question is, is there any basis for a deal here? Is there a bridge that can be crossed on this? I was struck, listening to Paul Ryan. He has Obamacare being repealed, he still wants the Medicare structural reform, the premier supports, as he called it, others call it vouchers. I know that the White House when they talk about tax reform as opposed to Ryan, talks about keeping the rates up, not lowering rates, just doing away with the loopholes, so it's another tax increase. Is there a deal there?

LAURA INGRAHAM, HOST, "THE LAURA INGRAHAM SHOW":

I think there is a chasm and I think the president picked Lindsey Graham to be the one to put the dinner together for a reason. Lindsey Graham said, I think, about seven days ago, that he's open to new revenues which, of course, conservatives weren't really surprised to hear Lindsey Graham say something like that. And they were going to talk about Rand Paul, that he has a thorn in the side about Rand Paul. But the president -- this is what happened, the president saw Tom Brokaw, Bill Keller of the "New York Times", "Washington Post", all these liberal institutions and people still a little bit to the left saying, this looks like a campaign.

WALLACE:

Even the peanut gallery?

INGRAHAM:

Yeah, this is a campaign here, this is -- you just got elected, this is second term now and it is time to get something done. So when people on the left, or slightly on the left are saying that, I think the president said, well, I have to at least make this look like, yeah, charm offensive, whatever you want to call it. Break bread, but the fact that he has to go around leadership, even the second term, why are you having to go around leadership? Leadership is what it is. That is the world as it exists. I know he says he doesn't want to be dictator. He's not dictator. He can't just wave a wand and get everything done. The fact is you have to deal with the players that are on the chess board. Boehner and McConnell are still in the leadership in their parties, you have to deal with them as much as it is fun to play in the sandbox with someone maybe a little bit more ideologically on your same plane, as Lindsey Graham.

WALLACE:

So, Juan, two questions, one the sincerity of what he's doing as opposed to just the optics of it, to use the favorite phrase here in Washington, and two, is there a deal to be made? Because it sure doesn't sound like it?

WILLIAMS:

I think, speaking to Laura's point, though, the president has to have someone to work with and remember, Boehner has not been proven that he is able to bring his guys, his troops along and, Boehner, I think, fears loss of his leadership if he makes a deal that conservatives don't like with President Obama, with -- in McConnell's case he's worried about re-election and attracting a very strong Tea Party or conservative opponent back in Kentucky. But you, to answer your question, directly, Chris, yes, there is a basis for the deal. The deal that the president offered to Speaker Boehner back in December, the so-called grand bargain deal, basically put together the tax cuts in terms of the loopholes -- I'm sorry. Raising taxes, through kind of loopholes and deductions and then you go at things like savings with Medicare, Social Security, the chained CPI, and I think it was like a mix of 650 -- 900 billion in cuts -- 680 in new taxes. That is the basis that the president put out there at the dinner, that's what he's trying to achieve here. The question is, you know, can he do it? Will Boehner and McConnell agree to a deal when it might have politically negative consequences for them with the Tea Party hardline ...

WALLACE:

I've got to say, the "Wall Street Journal" had a pretty searing editorial about the nature of the Obama plan and basically said it is a Potemkin village.

STRASSEL:

Look, I mean the real process -- problem here, it is just not a chasm of ideas, it is a process question. The problem for the White House, they are still living in November, they actually think that, maybe they can gin up some sort of momentum for everyone to come together and sit down and target those numbers that Juan is talking about. That's not going to happen anymore. You hear all these Republicans talking about regular order. What that actually means is, you go first, the White House and the Senate Democrats, Juan says, well, Speaker Boehner hasn't brought along his guys. The president has never actually got his guys on the record, on the floor, with a bill that says that they'll accept entitlement reform. In fact, we don't even know if there are a lot of Senate Democrats who would vote for the president's tax hikes that he is putting forward.

WALLACE:

But we do know that Patty Murray, the head of the Senate Budget Committee is going to come out this week with a plan, so at least, for the first time in four years, they will have a plan on the House floor ...

INGRAHAM:

First time in four years.

STRASSEL:

And we'll see -- and we'll see what is in there and we'll see what can pass, but that is the point that the Republicans are making, really, is that we're no longer going to get in a backroom, cigar filled and come up with some sort of deal and then try to bring everyone along, you go first, you show us what you've got and then we'll maybe meet in conference and see what comes out of that.

WALLACE:

Sorry, one last thing I want to get in with you. Do White House officials think that they lost the PR battle over the sequester, that a number of these predictions that what was going to happen turned out to be exaggerated or false and that the decision to close the White House tours for schoolkids coming up on spring break, I mean there's been a lot of blow back on that.

PACE:

The White House certainly doesn't say publicly that they lost the PR war on this. I think that we have to wait a couple of weeks, maybe a month or two to see what the actual impact of the sequester is going to be, and sure they really opened themselves up to criticism, by putting out very specific impacts of the sequester.

There were fact sheets on every state. So, we'll be able to go back and see if those impacts actually happened and if they didn't, I think they're going to have a difficult time explaining why they overhyped the impact of that.

WILLIAMS:

Very quickly, Chris, let me just say the president's numbers, went down, I think.

INGRAHAM:

Five points drop.

WILLIAMS:

Yeah, I think people thought he should be doing a better job of trying to lead the country and they are worried that he lacked that leadership, posture, and, it seemed as if he was, you know, that the Republican argument was trying to, in fact, make the sequester look more painful in order to make the political point. I don't think that played well for the president.

INGRAHAM:

President Bush would shut down the White House to the little kids, you'd have all the kids interviewed on television, more so than already happened--

(CROSSTALK)

INGRAHAM:

Yes.

WALLACE:

And also now that you are taking to social media ...

INGRAHAM:

Yeah. Let us -- let us come in. It's our house.

WALLACE:

(inaudible) couple of weeks for the president.

Panel, we have to take a break here, but when we come back, Congress takes on the president over the use of drones and the decision to try an accused terrorist in the heart of New York City.

(COMMERCIAL BREAK)

WALLACE:

Check out FoxNewsSunday.com for behind-the-scenes features, panel-plus, and our special Monday preview of the week ahead. You can find it at FoxnewsSunday.com and be sure and let us know what you think. Stay tuned, for more from our panel.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

SEN. RAND PAUL, (R-KY), HOMELAND SECURITY COMMITTEE:

To allow one man to accuse you in secret, you never get notified you've been accused, your notification is the buzz of the propellers on the drones as it flies overhead in the seconds before you are killed. Is that what we really want from our government?

(END VIDEO CLIP)

WALLACE:

Rand Paul who took to the Senate floor for a 13 hour filibuster to protest the possibility the president might order a drone strike against an American citizen on U.S. soil. And we are back now with the panel. So, Laura, what do you see as the significance of Rand Paul's criticism of the Obama drone policy and what about the split that we saw this week inside the GOP between the libertarians, who were primarily concerned with individual rights in the Constitution and defense hawks like John McCain who say a president in a war, commander-in-chief needs broad authority to use force?

INGRAHAM:

Well, a couple of things: number one, John McCain and Lindsey Graham and the "Wall Street Journal" editorial board, extremely dismissive of Rand Paul. The "Wall Street Journal" said, calm down, said, you have to do more than fire up impressionable libertarians in their college dorms. I thought to myself, when was the last time a Republican managed to capture the imagination of young people, some people on the left, Mitch McConnell, John Thune, John Cornyn, Ted Cruz, Marco Rubio -- I mean that was a wide range of Republicans, and, people on the left, who said, you know something? I think the Attorney General should be able to answer a simple question, with an unequivocal yes or no. He couldn't do that. And Rand Paul served an enormously important function during that filibuster, he wasn't -- he wasn't waving his hands and ranting and raving, contrary to what the journal condescendingly said. He actually said, look, we have three branches of government, it is our solemn duty to put a check on what the executive decides to do. If they want to slap the label "enemy combatant" on an individual and that gives the president unilateral and secret authority to order an assassination by drone or by any other strike. That is something that is quite shocking

to a lot of people and I think Rand Paul, not only sent a message to the country, but, solidified himself in a 2016 run for the presidency, that will shake up his party, as it deserves to be shaken up.

WALLACE:

You know, Juan, Senator Paul's filibuster, and as we've said it was very controversial among Republicans and among Democrats, it does raise a larger question now. 12 years into the war on terror with al Qaeda central diminished and, all of these affiliates spreading across Northern Africa, especially, do we need new rules of the road about when the president can use drones or other projections of U.S. Power?

WILLIAMS:

Absolutely. And I think everybody agrees that right now there is a lack of transparency. And what you need is judicial review, congressional review, potentially of this kill list. Exactly, who is on this kill list. You don't want a president exercising this authority in a vacuum, as Laura called it unilaterally. So you do want that. In fact, let me just say that, in response to Senator Paul, I thought it was grandstanding, that was an Internet sensation, but the fact is, there are no U.S citizen has ever been targeted or killed by a drone on U.S. soil and secondly, the Constitution gives the president authority to go after a U.S. citizens if that U.S. citizen is somehow involved in colluding with an enemy of the United States. I mean, go back to the Civil War, of course, you have that right. So, this was ...

INGRAHAM:

It hasn't been done since the Civil War.

WILLIAMS:

This was a speculative effort that I think ...

WALLACE:

I just want to say, I love the fact that we have the hawk ...

INGRAHAM:

That's right.

WALLACE:

Juan Williams and the dove, Laura Ingraham.

INGRAHAM:

Not the dove, not the dove, the constitutionalist.

(CROSSTALK)

WALLACE:

Let me pick up here with Julie. How does the White House feel about Rand Paul's filibuster?

PACE:

I don't think that they took it incredibly seriously at the beginning. I think that they felt like he already had the answers to the questions that he was asking. But, I actually feel like what he did was, he got the Attorney General to actually provide an answer that was more specific than what Eric Holder had been saying the day before in his testimony on the Hill. You know, as we go through this process of trying to figure out what exactly the drone policy is, and some of the details start to come out, a lot of times the answers we get actually just raise more questions. And, I think it was important both for the White House, and for the public in general, to get that answer to Rand Paul's final question, which was, not just would the president use a weaponized drone against an American on American soil, but does he actually have the authority to do so? And the answer that was provided was "No." He doesn't have that authority.

WALLACE:

No. No. No, I don't think that is what he said -- he said if he's not in combat.

PACE:

He is not a combatant, right, which again all these answers do raise more questions, but I think that that was an important step for the administration to take.

WALLACE:

All right, I want to -- do you want to defend your favorite for dismissing ...

(LAUGHTER)

STRASSEL:

I mean I think it is really important, Republicans, conservatives, Libertarians need to not get swept up in a lot of what was happening here this week, which was -- there's a lot of enthusiasm, there was a lot of confusion. People were getting animated about the fact that Rand Paul is talking about the Constitution, OK? And this is something that a lot of conservatives felt the Obama administration has not given enough deference to and I'm not sure they necessarily were able to separate their thoughts from the policy here, which is, very clear as Juan said, going back, through the years, if you are an enemy combatant under the laws of war, the president does have the ability to do -- not just -- not just targeting you, but in terms of taking you, detaining you and interrogating you and that has been the case going back through the history. And the Constitution absolutely allows for that. And, I do think we get into a worrisome thing if we don't actually -- we start taking

away some of those other issues if we start making false choices on this one particular issue. This is wrong.

WALLACE:

This is why panel plus was invented.

INGRAHAM:

Oh, come on...

WALLACE:

We are going to continue the discussion about the drones. Now, we have something else having to talk about.

INGRAHAM:

All right.

WALLACE:

Gee, whiz!

(LAUGHTER)

WALLACE:

Because we also learned this week ...

INGRAHAM:

I'm not a libertarian, by the way.

WALLACE:

That the U.S. had arrested Osama bin Laden's son-in-law, you can see him there, just to the left, Sulaiman Abu Ghaith and they charged him in a criminal court in New York City, just blocks from Ground Zero, with conspiring to kill Americans. Republican Senator Kelly Ayotte, not happy with the decision. Watch.

(BEGIN VIDEO CLIP)

SEN. KELLY AYOTTE (R-NH), ARMED SERVICES COMMITTEE:

If this man, right next to Osama bin Laden, involved in the attacks on our country on 9/11, don't you think it would be important that we not tell him he has the right to remain silent?

(END VIDEO CLIP)

WALLACE:

Laura, the president clearly making a point, by not sending Ghaith to a military tribunal at Guantanamo.

INGRAHAM:

Yes, I mean it is interesting, because of course we have the switch from the previous controversy in New York where Chuck Schumer and John McCain and everybody came out and said, no, no, no, KSM cannot be tried in a federal court. And it's just a little bit confusing, I think, regardless of your position is on this, why pull back the KSM trial, Khalid Sheikh Mohammed from federal court, but then Abu Ghaith, who I keep calling Abu Ghraib for some reason, excuse me, but Abu Ghaith gets to be tried here. It is muddled, I'm not worried ...

WALLACE:

You certainly agree that KSM is a much bigger figure and a higher target.

INGRAHAM:

Bigger target... The president Baghdad Bob of, you know, of al Qaeda, right? I mean he is -- he was kind of the spokesman, but, nevertheless, I see what McCain's point is. It seems -- not insulting, but maybe it's inconvenient for the people of New York to have this trial. We tried the Blind Sheikh and successfully in New York. And, Annie McCarthy oversaw that prosecution, did a terrific job in that -- in that trial. I think we're going to do a great job in this trial. I'm not as worked up as some conservatives are about this. I think he's going to go away for the, you know, the rest of his life and, whether he is in Guantanamo Bay ...

WALLACE:

Are you worked up since you're

INGRAHAM:

Why didn't we just drone and ...

WALLACE:

Are you -- since you and Laura, having a complete switch of roles here?

WILLIAMS:

Really, do you like my hair today?

(LAUGHTER)

WILLIAMS:

No. I think, look, the U.S. has an excellent record of -- in fact ...

INGRAHAM:

Yeah.

WILLIAMS:

... convicting these terrorists.

INGRAHAM:

Yeah, but the ...

WILLIAMS:

And, I guess the question is, you know, he was talking for a while, then he went quiet, would we get more out of it, we had ...

INGRAHAM:

It's going to be a circus.

STRASSEL:

That is the issue, interrogation, he has been given the right to remain silent. Moreover, he is guaranteed a right to a speedy trial, which means we don't have the time that we would have in Guantanamo to extract information from him, the way we would with other detainees.

INGRAHAM:

We know how we got him, he was released by Iran and then ...

WALLACE:

I'm just confused, usually I know what everybody is going to say. I had no idea what ...

(LAUGHTER)

WALLACE:

Thank you, panel, see you next week. Pretty interesting. Don't forget to check out Panel Plus where our group picks right up with a discussion on our Web site, which will be on drones, FoxnewsSunday.com, we'll post the video before noon, Eastern time. And make sure to follow us on Twitter, @FoxnewsSunday. Up next, we hear what you thought about last week's interview with Mitt and Ann Romney.

(COMMERCIAL BREAK)

WALLACE:

After our interview last week with Mitt and Ann Romney, their first since the election, we got a lot of comments from you and the vast majority were positive. Melanie White sent this, "If Mitt had campaigned like his interview with you, he would be president today. He should have dumped his campaign managers." Lucas Plotnik was not as impressed, "If Romney's blaming Obamacare for his defeat, why didn't he just take credit for inventing it in the first place?" But we also heard from Chris Eller, ""This country really needs the mature leadership of Mitt Romney and the first lady with a class of Ann Romney. It is so disappointing that America missed the chance to get our country back on track, with someone who genuinely cares about America, not his celebrity ego." We appreciate hearing from all of you. And that's it for today, have a great week. And we'll see you next FOX NEWS SUNDAY.

CQ Transcriptions, March 10, 2013

List of Speakers

CHRIS WALLACE, HOST

REP. PAUL D. RYAN, R-WIS.

FORMER GOV. JEB BUSH, R-FLA.

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